



January 23, 2007

Floor Prep

H.R. 323 - the Seasoned Customer CTR Exemption Act of 2007

Floor Situation

The Seasoned Customer CTR Exemption Act of 2007 (H.R. 323) is being considered on the floor under suspension of the rules and will require a two-thirds majority vote for passage. This legislation was introduced by Representative Spencer Bachus (R-AL) on January 9, 2007 and has not been considered by any committee in the 110th Congress.

H.R. 323 is expected to be considered on January 23, 2007.

Background

H.R. 323 is nearly identical to H.R. 5341, (with the exception of minor technical and date changes) the "Seasoned Customer CTR Exemption Act of 2006," which was passed in the House by voice vote on June 27, 2006 and was not acted on by the Senate.

H.R. 323 addresses the current requirement of financial institutions to file currency transaction reports (CTRs), which detail any deposit, withdrawal, exchange of currency, or other payment or transfer involving currency in excess of \$10,000. This requirement was instituted in the 1970's to provide a tool for law enforcement to identify activities indicative of money laundering. Additionally, since 1996 the Treasury Department has required financial institutions to file Suspicious Activity Reports (SARs), which have in many ways replaced CTRs as the primary tool for law enforcement to identify suspicious activity.

The Department of the Treasury has the authority to grant financial institutions exemptions from filing CTRs on "qualified business customers," although the process requires annual renewals of the exemptions and is widely regarded as overly complex and burdensome to financial institutions. In 2006, the U.S. Money Laundering Threat Assessment stated that over 13.1 million CTRs are filed each year, requiring millions of man hours by financial institutions to file and process CTRs.

According to a survey conducted by the Department of the Treasury in 2005, over 30 percent of CTRs filed were to report the transactions of recurring customers who were

eligible for the exemption under current reporting requirements. Additionally, according to a study by the American Bankers Association, of the estimated 583 hours in staff time spent by a typical bank on CTR filings, approximately 438 hours were devoted to reporting on longstanding customers.

Summary

H.R. 323 directs the Secretary of the Treasury to create and implement new regulations that will exempt financial institutions from filing CTRs for 'seasoned customers,' which are defined as longtime customers that routinely deal in large volumes of cash but whose business dealings are well-enough understood by the institution to rule out the possibility of money laundering or the financing of terror.

**Note: Exemptions from filing CTRs do not preclude a financial institution from filing SARs for any transaction that the financial institution views as an abnormal or suspicious transaction.*

This legislation requires the Secretary of the Treasury to submit a 3 year review and report evaluating the implementation of this Act. In addition, the Secretary is required to present a review every 5 years on the utility of the thresholds for filing mandatory CTRs and the need for inflation adjustment of the threshold amounts.

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